

Testimony for the White House Conference on Aging

Presented on Behalf of Terry White
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- It is often said that: “Demography is Destiny.” The aging of the largest demographic cohort ever in the history of our country – the “baby boomers” – forebodes major challenges, looming large among them is paying for the medical and long-term care needs of this upcoming aging “boom.” These costs are projected to be so large that, if current expenditure trends continue into the future, Medicaid budgets will, within 20 years, become larger than the entire budgets of most states.
- While there is no question about the size of the challenge, I believe that this “demographic destiny” also presents us with unique opportunities. I say this based on my experience as the Secretary of the Department of Elder Affairs for the State of Florida.
- The Florida Department of Elder Affairs serves a constituency of more than 5 million persons—almost 4 million of which are permanent residentsⁱ. This constituency is served through a variety of services: Advocacy for livable, “elder-friendly” communities; health promotion and wellness programs; social services and volunteering opportunities for the vast majority of elders who remain socially involved; community based, long-term care services for those who are frail and want to avoid care in a nursing home setting; advocacy for all residents of nursing homes and assisted living facilities; and assistance in times of distress such as this – in the aftermath of Hurricane Charley.
- Florida is somewhat unique in terms of its demographic composition, with the largest share of elder residents (23 percent), therefore it provides the rest of the nation with a glimpse of its demographic future, and as you can see this future is highly positive. Contrary to common misperceptions, Florida’s elders are a valuable asset, economically, culturally, and socially to the state.
- For example, economists estimate that the our elders’ net, direct contribution – over and above the cost of providing services – in state and local taxes is \$2.4 billion per year, including in that figure are more than one billion dollars in local school district assessmentsⁱⁱ. In addition, Florida’s elder consumers spend more than \$100 billion annuallyⁱⁱⁱ and the federal government pays more than \$21 billion on their behalf through Medicare^{iv}. These billions of dollars contribute heavily to the well-being of Floridians of all ages by creating jobs in high value added sectors such as medical services and construction.
- Also, contrary to common perception, the vast majority of Elder Floridians are healthy enough to enjoy an active and independent lifestyle. At any point in time,

only about 5 percent of our elders are in need of long-term care. Elder Floridians are 40 percent less likely than elders from other states to require nursing home care^v, and the average public expenditure per person age 65 and older for long-term care services is 60 percent below the national average^{vi}.

- However, to carry these favorable conditions into the future we must be proactive in preparing for the next 20 years and beyond, when the largest demographic cohort in America's history becomes of age. **To this end I propose the development of policies and an overhaul of the regulatory framework at the federal and state levels that would help the nation prepare for this transition in two broad areas:**

1. **Livable communities for a lifetime** – sustainable communities designed to allow persons of all ages to maintain their independence and dignity.
2. **Balanced and coordinated systems of long term care that place a premium value on consumer autonomy, choice, service quality, and fiscal sustainability.**

- Communities for a lifetime programs will allow persons to develop and sustain their full potential remaining valuable contributing members to society well into advanced age. The common elements of these programs include accessible public spaces and transportation, universal design housing, environmentally sensible land use, community life that values individuals regardless of age, race, ethnicity, or religion, intergenerational activities and health and wellness activities.

- Balanced and coordinated systems of long term care must contain seven key elements:

1. Consumer choice – Balance is achieved when consumers are able to choose the setting of their care, whether at home, the community, or in a nursing home. It also allows the consumer provider choice or the opportunity for self-directed care.
2. Prevention – Health promotion and wellness activities should be recognized as the most cost-effective means to reduce the overall cost of long-term care. Currently long-term care financing favors crisis intervention over prevention. Crisis intervention is much more expensive than prevention. Prevention also extends and enhances quality of life.
3. Prioritization – Prioritize services based on demonstrated need, and allocate expenditures based on customer risk of adverse outcomes optimizes the use of public resources. Spending too much on a person at low risk is unfair because it “crowds-out” persons at

higher need and risk, and it fuels the perception of wasteful public spending. Most importantly, a system that does not prioritize is fiscally unsustainable in the long run due to impending demographic changes. By the same token, spending too little on a person at higher risk is also unfair and ineffectual.

4. Expedited access and coordination of care – Interventions are most effective only if they are timely and coordinated across settings. Long-term care and acute care must be coordinated through care management.
5. Predictability – Costs per customer must be predictable over the entire cycle of long-term care. This means that systems that incorporate in a single capitation rate, the potential costs of nursing home placement and others for which taxpayers are at risk, must be preferred.
6. Fostering the existing network of Older American Act providers – The network has proven to be a reliable partner, through thick and thin, in providing care for our elders. They know what works. Nevertheless, the network is working with a business model developed almost 50 years ago. It needs assistance to transform its traditional agency business model to remain competitive. For example, Area Agencies on Aging may need to integrate their traditional planning and oversight role with other functions such as triaging and eligibility determination to become Aging and Disability Resource Centers.
7. Provide preferential funding for caregiver support programs – Caregivers and neighbors provide more than \$4 dollars of long-term care for each public dollar. In the year 2003 families and neighbors provided over \$11 billion worth of long-term care services, while the state spent \$2.4 billion^{vii}. Our program evaluation numbers show that our most cost-effective programs are those that assist caregivers.

- I appreciate the opportunity speak and look forward to continued collaboration.

ⁱ The number of 60 and older full time Florida residents (Florida Legislature Projections for 2004) is 3.95 million. The University of Florida Bureau of Business and Economic Research estimates (“The Elusive Snowbird”, 1997) at least 1 million part time older residents with an average stay of 6 months.

ⁱⁱ Economic and Fiscal Impacts of Florida’s Retirement Industry, Fishkind and Associates, Orlando FL. 1998.

ⁱⁱⁱ DOE A Projection based on Bureau of Census 2000 IPUMS 5% data set.

^{iv} Medicare Estimated Benefit Payments by State, Fiscal Year 2001. Centers for Medicare and Medicaid
<http://www.cms.hhs.gov/researchers/pubs/datacompendium/2003/03pg71.pdf>

^v “Across the States 2002 Profiles of Long-Term Care” AARP, Washington, D.C.

^{vi} Ibid.

^{vii} Arno, Levine, and Mermot: “The Economic Value of Informal Caregiving”, Health Affairs Vol.18 #2
March/April 1999.